

# NOW FINAL - Signed by Governor Carcieri on 6/30/2005

## **SPECIAL NOTICE**

### **TO ALL CIGARETTE DISTRIBUTORS**

### **PREPAID SALES TAX ON CIGARETTES**

A proposal has been made to amend the sales tax law, as part of the state budget legislation bill, effective July 1, 2005, to require the prepayment of sales tax on all cigarettes held for sale or use in Rhode Island.

The amendment to the sales tax law proposal requires every stamping distributor to prepay a sales tax on all cigarettes possessed for sale or use in this state on which a distributor is required to affix a cigarette tax stamp. On and after July 1, 2005 the distributor must prepay the sales tax on cigarettes at the same time, and in the same manner, as the distributor pays for stamps purchased. However, in order to ensure the prepayment of tax on all wholesale inventory purchased before July 1, but available for sale on and after that date, there will be a special floor tax as explained below.

There will be a special floor tax (prepaid sales tax) due on the inventory of stamped packages of cigarettes held for sale in this state on July 1, 2005, other than the inventory of cigarettes offered for sale to a consumer at retail. This means that the floor tax will apply to the stamped inventory of stamping wholesalers, but not to the inventory of retail sellers to the extent that the inventory is held for retail sale. If wholesalers also sell at the retail level, the stamped inventory held for sale at a retail location is not included in the inventory subject to the floor tax. In addition, the floor tax will apply to any unaffixed tax stamps in the possession of a stamping distributor on July 1, 2005, that were issued prior to that date. The inventory necessary to account for the floor tax must be taken as of the close of business June 30, 2005.

The prepaid sales tax the distributor pays must be passed through to each successive purchaser until the cigarettes are sold at retail to the consumer. On each sale of cigarettes that is not a sale at retail, the seller must give the purchaser a certification at the time of delivery of the cigarettes. The certification must state that the prepaid sales tax has been paid or assumed and the amount being passed thru to the purchaser. The certification document must contain the name of the stamping distributor who paid the prepaid tax (or in the case of the floor tax, the name of the company who paid the floor tax). The certification shall be included on the seller's invoice.

If the purchaser does not get the proper certification from the seller at the time of delivery of the cigarettes, both the seller and purchaser are jointly and severally liable for the prepaid sales tax due. In the absence of the certification, it is presumed the prepaid sales tax has not been paid. The burden of proof that any sale is not taxable is on both the seller and purchaser (other than the retail consumer).

A certification is not required when the sale is to the United States Government.

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The prepaid sales tax for the period July 1, 2005 thru June 30, 2006 will be 40 cents per pack. The prepaid sales tax is based upon the minimum selling price of a pack of standard brand cigarettes which is currently \$5.70 per pack. This figure will be adjusted April 1 of every year.

On and after July 1, 2005 any wholesaler selling cigarettes to a retailer must pass the prepaid sales tax through to the retailer (and give the retailer a certification). The retailer's prepayment of sales tax to the supplier does not require a change in either the retailer's retail selling price of the cigarettes or the amount of the retail sales tax that the retailer is required to collect from customers.

If there are any questions concerning this notice please contact the Excise Tax Section at 401-222-6260.

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STATE OF RHODE ISLAND  
DEPARTMENT OF ADMINISTRATION  
DIVISION OF TAXATION  
EXCISE TAX SECTION  
ONE CAPITOL HILL, PROVIDENCE, RI 02908-5800  
CIGARETTE FLOOR STOCK TAX RETURN  
\*\*\* DISTRIBUTOR \*\*\*

INVENTORY OF CIGARETTES ON HAND  
**AS OF CLOSE OF BUSINESS ON: JUNE 30, 2005**

Please change name and address if shown incorrectly below

THIS REPORT IS TO BE FILED  
BY EACH  
CIGARETTE DISTRIBUTOR

DUE NO LATER THAN  
**JULY 15, 2005**

**FLOOR TAX COMPUTATION**

DESCRIPTION	QUANTITY ON HAND	X	ADDITIONAL TAX PER UNIT	= TAX DUE
1. Number of Cartons (10 packs per carton-20's)		X	( \$ 4.00 per carton )	
2. Number of Packs (20 cigarettes per pack)		X	( \$ .40 per pack )	
3. Number of Cartons (10 packs per carton-25's)		X	( 4.00 per carton )	
4. Number of Packs (25 cigarettes per pack)		X	( \$ .40 per pack )	
5. Number of Cartons (8 packs per carton-25's)		X	( \$ 4.00 per carton )	
6. Number of Fusion Stamps (20's)		X	( \$ .40 per stamp )	
7. Number of Cardinal Stamps (20's)		X	( \$ .40 per stamp )	
8. Number of Yellow Stamps (25's)		X	( \$ .40 per stamp )	
10. TAX DUE (Lines 1-9)				\$

I do solemnly declare and affirm under penalties of perjury that the contents of the foregoing document are true and correct to the best of my knowledge, information and belief.

PRINT NAME

BUSINESS PHONE NUMBER

SIGNATURE

TITLE

DATE

THE TAX SHOULD BE COMPUTED AND A CHECK OR MONEY ORDER FOR THE TOTAL AMOUNT DUE MADE PAYABLE TO:  
R.I. DIVISION OF TAXATION AND SHOULD BE FORWARDED WITH THIS REPORT TO THE DIVISION OF TAXATION/EXCISE TAX SECTION,  
ONE CAPITOL HILL, PROVIDENCE, R.I. 02908.

FAILURE TO FILE THIS REPORT WHEN DUE SHALL BE SUFFICIENT CAUSE TO REVOKE YOUR LICENSE  
WCFT032 6/05